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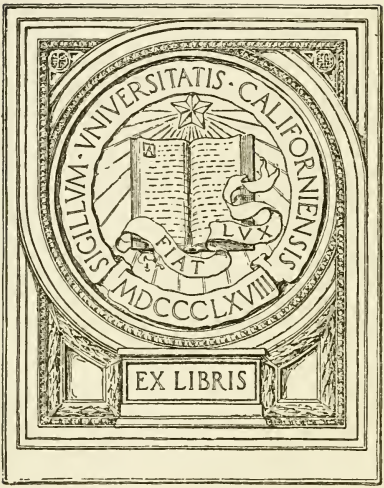

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BULLETIN NO. 14
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Methods of Paying Salesmen and Operating Expenses in the Wholesale Grocery Business in 1918

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METHODS OF PAYING SALESMEN AND OPERATING EXPENSES IN THE WHOLESALE GROCERY BUSINESS IN 1918

The proprietors of 145 wholesale grocery businesses furnished reports on their operating expenses for the year 1918. These wholesale grocers were located in thirty-nine states and Canada. Reports on methods of paying salesmen were submitted by 114 of these wholesalers.

In the wholesale grocery businesses from which reports were received, the annual sales in 1918 ranged from $116,000 to $21,000,000. Of these, 20.0% had sales ranging from $100,000 to $499,000; 27.5% from $500,000 to $999,000; 43.5% from $1,000,000 to $2,999,000; 7.0% from $3,000,000 to $4,999,000; and 2.0% over $5,000,000.

The annual volume of sales has increased in practically every wholesale grocery business for which the Bureau has received consecutive reports covering the last three years. This increase is to be attributed not only to a normal expansion of sales with the development of business but also to the rise in prices that has taken place. From fifty-seven firms, consecutive reports for 1916, 1917, and 1918 have been received which can be used for comparisons. Of these firms, one showed a decrease and four showed an increase of less than 10% in their sales from 1916 to 1917; thirteen an increase of 10% to 19.9%; twenty-four an increase of 20% to 29.9%; and fifteen an increase of 30% and over. The largest increase from 1916 to 1917 in annual volume was 71.9%. In 1918, one showed a decrease and twenty-one of these same firms showed an increase in their sales of less than 10% over

1917; seventeen an increase of 10% to 19.9%; eleven an increase of 20% to 29.9%; and seven an increase of 30% and over. The largest increase in 1918 over 1917 in these firms was 49.2%.

METHODS OF PAYING SALESMEN

The largest single item of expense in a wholesale grocery business is ordinarily for salesforce. Upon the energy and ability of its salesmen, the progress of a wholesale grocery business is to a considerable extent dependent. An inquiry has been made, consequently, to find out which methods of paying salesmen seem to furnish the most incentive and yield the best results.

Of those firms that furnished reports on methods of paying salesmen, 21% sold only in strictly local districts. For 64% of the firms, the salesmen covered local territories and also territories up to points 300 miles distant; 5% sold only in territories 25–300 miles from the points where the firms were located; and 10% sold merchandise in local, sectional, and more remote territories.

Fixed salaries only were paid travelling salesmen in 57% of the businesses from which reports were received. By fixed salaries are meant definite amounts stipulated in advance. The firms that paid fixed salaries only did not give their salesmen any commissions on profits or sales. This method was used almost universally by the firms with strictly local businesses. It was also used to a considerable extent by the firms whose salesmen covered larger territories. Among those firms that paid fixed salaries only, the average number of salesmen employed by each firm was seven. In the firms that paid commissions, the average number of salesmen was eighteen for each firm. While salesforce expense does not appear to be less, at least under present conditions, in businesses where salesmen are paid wholly or in part by com-

missions, nevertheless, a commission plan is generally considered more satisfactory in the larger businesses that cover more than local territories.

Salesmen were paid entirely by commissions in 8 % of the businesses that reported. These salesmen were not guaranteed definite salaries. Plans of payment that combined fixed salaries and commissions were used by 18 % of the firms. In these businesses, each salesman was paid a fixed salary and in addition a commission on his profits or sales according to a predetermined arrangement. The other firms used mixed plans. One combination was to pay part of the salesmen straight salaries and the other salesmen commissions only; a second plan was to pay part of the salesmen salaries only and the other salesmen salaries and commissions. Still a third plan was to pay part of the salesmen salaries only, other salesmen commissions only, and still other salesmen salaries and commissions. The firms that used these mixed plans, without adhering consistently to any single method of paying salesmen, in some instances at least, made the best bargain that they could with each of their salesmen.

A majority of the firms reported that they paid the actual travelling expenses incurred by their salesmen. Other firms used a variety of methods. In some cases, the salesmen's compensation and also their travelling expenses were covered by a gross commission on profits. One wholesale grocer made the following statement regarding his method of paying for his salesmen's expenses:

> " Nearly all our men on our nearby territory are paid an allowance, which includes both expenses and salary since we have been able to analyze the expense accounts and ascertain about the average in this territory. On the outside or remote territories, the conditions are so different that we are unable to do this, and, therefore, we pay these men salaries and take care of their reasonable expenses."

About 25 % of the firms that paid their salesmen commissions, either as total or as partial compensation, based these commissions on the total amount of merchandise sold by each salesman. In general, the use of sales seems to be less satisfactory than profits as a basis for figuring commissions. This is due to the fact that when commissions are paid on the amount of merchandise sold, a salesman receives the same compensation for selling staple merchandise that yields small profit as for selling specialties that yield a greater profit and for which it is more difficult to secure orders.

Two-thirds of the firms paying commissions based these commissions on profits. The use of profits furnishes an incentive to salesmen to direct their efforts toward the sale of the more profitable articles. In many cases, commissions on profits seem to furnish the salesmen a guide to the merchandise to which it is desired to have most attention given.

According to the reports received, little uniformity was shown in the method of determining the profits on which commissions were paid. The method most commonly used was to deduct from the selling price the market cost of the merchandise sold, inward freight, and also an additional percentage to cover a portion of the operating expenses of the business other than salesforce expense.

One wholesale grocer reported as follows:

> " Six years ago, we first indulged in a profit-sharing plan with our salesmen, such profit-sharing to be based on 30 % of the profits of the territory after deducting travelling expenses and the proportionate share of house expenses, including all other expenses. That, as you know, was a poor year and the results for that particular year were unsatisfactory. The present contract, we are certain, pays our salesmen better than any contract that is being made in our city by any other jobbers for the same volume of business. Our one criticism of this contract, as it stands today, is the fact that it provides in no way for a sharing of

net profits after the house expenses in proper proportion have been deducted from the gross profits of the given territory."

The salesman's contract for this Company is as follows:

"THIS AGREEMENT entered into by and between..... Company, of....., hereinafter known as the Company, and.....of....., hereinafter known as the salesman, becomes effective..... 1919 and terminates.....1920.

"The duties of said salesman shall be selling any and all varieties of commodities as presented by the Sales Department of the Company, and the collecting of accounts due the Company together with any other services requested of him by the Company. Said salesman is to devote his entire time and attention to the requirements of the Company, giving as such time his services from each Monday A.M. until Saturday P.M., and to the giving of a complete report in writing of any changes or conditions on his territory, and especially as to the financial standing of any customer or accounts in the towns included in his territory, or the selling out or opening up of any new accounts on his territory.

"A salary of..... dollars per year will be paid monthly on the last day of the month except when such day falls on a holiday or Sunday, then payable the day before, and salary to begin on..... 1919.

"Gross volume of sales, less returned goods, amounting net to $75,000 shall be the basis for a salary of $1200 per year. The gross volume of sales shall include all credit to the salesman for goods delivered on his territory by the Company, regardless of whether sold by the salesman himself, by a specialty salesman of the Company, or by a specialty salesman of the factory, or by mail. A bonus of 2% in excess of such a basis of sales will be paid the salesman:

" 1. Provided he remains in the employ of the Company during the entire period of his contract.

" 2. Provided sugar sales do not amount to more than 20 % of the total sales above referred to. No bonus will be paid on sugar sales in excess of such 20 %.

" The average per cent of profit of all salesmen for the fiscal year 1919 shall first be determined. The per cent of the profits to sales shall then be figured for each given salesman. Each 1 % above or below the average per cent of profit of the other salesmen will increase or decrease the bonus of such a salesman by an amount equal to ten one-hundredths of the increase or decrease from the average of all salesmen for the year.

" All subsequent contracts are to be made on the basis of not more than 85 % of the salary earned in the previous year, including the sales and profit bonus.

" In addition to the above salary, all regular travelling expenses will be paid by the Company, such expenses to include hotel bills, drives, necessary business telephone calls, and railroad fare, incurred while in the service of the Company on the territory or in regular required trips to .....(headquarters of the Company). If the salesman's auto is used at his option instead of railroad and livery cars, a charge of 5¢ per mile is to be made for such service.

" No expense will be allowed, however, for hotel or other expenses while the salesman is at his headquarters. Allowance on actual expense to begin ..... 1919.

" The salesman herewith agrees to make a detailed and complete report of all such expenses weekly and forward them to the office promptly at the end of each week, unless an agreement shall be made between him and the Company for a weekly or monthly stipulated allowance, in which the approximate number of towns to be covered under such an allowance shall be agreed upon and specified.

"The salesman will file an application to the regular bonding company required by the Company, and secure a bond for $1500, the cost of which will be borne by the Company.

"One full week's vacation will be allowed the salesman each year provided he has been with the Company one full year, such vacation to be at a date which will be agreeable to the Company.

"The Company reserves the right to terminate this contract at any time without notice and shall require from salesmen thirty days' notice unless in writing mutually agreed otherwise.

ACCEPTED BY

..... COMPANY .....

By ..... Date ....."

Another wholesale grocer made the following statement regarding his plan:

"For a number of years, we have handled our sales-force solely on a commission basis. The first year, we paid our men 3% on their gross sales, without reference to what their sales consisted of. That did very well for a while, but could not be maintained, for, with rising prices, we could not possibly afford to pay 3% on flour and sugar. We have now worked out and have had in operation for the past couple of years, a commission schedule which is shown below. Our record clerk distributes the sales of our men, and we give them a weekly statement showing just exactly how they stand on sales in each division. It is our aim to maintain a 50-50 division; that is, the flour, meat, lard, sugar, meal, and mixed feed should not run more than 50% of a salesman's total business. Beginning the first of January, 1919, mixed feed was included on the left-hand side, as we term that division which includes flour, meat, lard, sugar, and meal. The commission on

mixed feed is 2 % in less than car loads, and 1 % in car loads. As the price on mixed feed has been quite high all this year, this item has added a great deal in volume to the left-hand side, making necessary unusual efforts on the part of the salesmen to maintain an equal amount of right-hand side goods. But we are glad to say that they have been successful in doing so.

" We give each salesman a quota to aim at for the year on the profitable goods; that is, on articles we handle other than the items mentioned above. If he succeeds in running over the quota, we give him 1 % on the amount of excess. This keeps the men interested in going after those lines which pay us the best profits. Our commission system has worked very successfully, and we would, under no circumstances, return to the salary plan.

" *Commissions Paid Salesmen*

Flour L. C. L.	20¢	per barrel
Flour C. L.	10¢	per barrel
Meat and Lard	$\frac{1}{4}$¢	per pound
Sugar and Meal	1 %	
Mixed Feed L. C. L.	2 %	
Mixed Feed C. L.	1 %	
Paper and Paper Bags	5 %	
Spices, Vinegar, etc.	5 %	
Other Goods	3 %	
Candy and Coffee	4 %	"

A third wholesale grocer reported as follows:

" Because our nearby salesmen are in a position to sell a larger line and have less expenses, we pay them $33\frac{1}{3}$ % of the profits, if they average over $8\frac{1}{2}$ % net, after cartage and all other allowances are deducted; 30 %, if their profits run under $8\frac{1}{2}$ % and over 8 %; and 25 %, if under 8 %. As our far-off salesmen have to sell a more restricted

and a more profitable line, and as they have heavier expenses, we pay them 40 % of the profits, if their profits average over 9 %, after deducting cartage, freight, and other allowances; 36 %, if under 9 % and over $8\frac{1}{2}$ %; and $33\frac{1}{3}$ %, if under $8\frac{1}{2}$ %.

"These sliding scales were established some ten years ago to induce our men to work with us and try to obtain the then necessary percentage of profit. They have resulted in our men averaging $10\frac{1}{2}$ % to 11 % net over costs given them, after all cartage, freight, and allowances have been deducted, so that, although the percentages then established as minimums to earn a certain share of the profits seem low today, we have, up to now, found it unnecessary to change them, because our men in their efforts to earn the maximum share of the profits invariably have earned a safe percentage, and we rarely, if ever, have to penalize them. The steady increase in expense, however, makes it look as if we might have to revise our profit-scale before long.

"The percentage of profit which we figure on our salesmen's business is based on the costs which we give them, which are not actual costs, but which we merely guarantee to be fair market costs. Competition naturally compels us to give them the advantage of under-market costs, when the market goes up, and self interest forces us to quickly reduce our costs to the market, when the market goes down; but due to our experience and knowledge of the markets, notwithstanding this, we usually earn a market profit between our actual costs and the costs given our salesmen, and if it were not for this, we would have had to revise our scale long since."

A fourth method was described as follows:

"Both city and country salesmen, as a rule, are paid fixed salaries and a division of profits ranging from 30 %

to 50 % of the profits of some previous year. Three salesmen are paid a straight commission, which is 40 % or 50 % of the profits. No overhead expense is figured in our costs except freight. The average expense of our country salesmen, working on a straight salary, is $32 per week. We have eight salesmen to whom we pay a salary ranging from $250 to $300 per month; they pay all travelling expenses. These salesmen we allow 40 % to 50 % of their profits over twice the amount of their salary, less their credit losses."

A fifth wholesaler stated his method as follows:

"Our city men are paid straight salaries. At the end of the year, if they have shown satisfactory increases over the previous year, we award them bonuses. Our men travelling outside of the city are paid 35 % to 40 % of their actual profits according to the territories in which they are working. For example, if a salesman is travelling a territory at considerable distance from home and has local competition with which to contend, we pay him 40 % of his profits. If he is operating in territory close to home, we pay him 35 % of his profits; and in one or two instances 30 %."

All but six of the firms reporting gave each salesman credit for orders that were received by mail or telephone from his territory. All but five firms gave each salesman credit for orders that were received from his territory through manufacturers' specialty salesmen. In other words, it was the general practice in businesses where commissions were paid to give a regular commission to each salesman on orders that were received by mail or telephone, and on orders that were solicited by salesmen of specialty manufacturers. Although such orders may not be due directly to the efforts of the salesman, nevertheless this policy, it seems to be generally assumed, tends to prevent friction. The salesman is the

personal representative of his employer; the salesman is the only individual, furthermore, who comes in personal contact with the customers. If he does not receive credit for orders that are received through other channels, he may seek to have his customers hold their orders until he visits them personally. In that case, another salesman in the employ of a competitor might, of course, secure the order. The larger the orders received by mail or telephone, the more rapidly can a salesman ordinarily cover his territory. It is, therefore, commonly to the advantage of his employer to have orders sent in by mail or telephone wherever possible, even if the regular commission is paid to the salesman on such orders.

About one-third of the firms reporting paid their salesmen bonuses of some sort. One gave prizes for pushing certain goods; another paid dividends at Christmas on the amount of salary drawn during the year. A third paid his salesmen bonuses annually according to the profits made during the year. A fourth paid bonuses for the best collection percentage and for the best sales percentage; and a fifth paid a bonus to the salesman showing the greatest increase in profits over the corresponding month the previous year. Another paid bonuses on increased sales in profitable lines. Three wholesale grocers paid bonuses to their salesmen for securing new accounts. Several others paid bonuses at the end of the year according to the general results, efficiency of the salesmen, and other considerations. In this last case, the bonuses were not used primarily as an incentive to guide the salesmen in their work, but rather as a gratuity in general appreciation of what had been done.

For all but one of the wholesale grocery businesses that furnished reports, the salesmen made collections from customers. In other words, it appeared to be an almost universal practice among wholesale grocers to utilize salesmen as collectors. In some cases, the commissions or bonuses were adjusted according to the collections made.

About two-thirds of the firms reported that they informed their salesmen of cost prices. This practice of informing salesmen of cost prices seems to be more general in the wholesale grocery business than in some other businesses. It is probably due to the fact that, in many cases, salesmen are paid a commission on profits, or at least are rated on the profits that they make.

One hundred eleven firms answered the following question: "Do you permit salesmen to vary the prices at which they sell to different customers?" Fifty-seven of these firms allowed their salesmen to bargain with customers over the prices at which goods were sold. One-half of the wholesale grocers, therefore, stated that they permitted their salesmen to use discretion in determining the prices paid by each individual customer. A wholesale grocer who followed this policy obviously did not treat all his customers alike. One customer who was not a good bargainer would pay the full list price, while his competitor across the street would secure a lower price at the same time from the same wholesaler merely because he was more clever in making a bargain. Looking at this question solely from the standpoint of expense, it appeared that salesforce expense and total expense were practically the same, in ratio to sales, in businesses that permitted their salesmen to vary prices and in those that adhered to one-price policies. Gross profit in ratio to sales was also practically the same.

Adherence to a policy of uniform prices to all customers within the same territory may be difficult for a wholesale grocer. The policy of permitting salesmen to bargain with customers on prices is probably the easiest one to adopt. Some retailers, although they adhere to a one-price policy themselves, are disposed to look with favor upon a salesman with whom they can higgle over prices in making their purchases. It may be advisable, of course, for a wholesale grocer to charge higher prices in some territories than in others,

because of differences in freight charges and also because of the large increase in salesforce expense for the sales made outside of the local territory. The statements that are made here apply only to uniformity of prices within a single territory.

Occasionally one reason that a wholesale grocer does not adhere to uniform prices to all his customers in each territory is that he wishes to charge more in cases of poor credit risk. Nevertheless, in some cases at least, if a customer who is weak financially is forced to pay the highest prices, he is placed at a disadvantage in competition. It is, therefore, difficult for him to improve his credit. It is doubtful if a wholesale grocer is building soundly for the future by taking this means of penalizing his customers who are not in a strong financial position. It is quite probable that a better policy for a wholesale grocer would be to sell to his customers at uniform prices and insist upon shorter credits, or adjust the credit terms rather than the prices, to safeguard himself in the credit risk involved. At the same time he might well give such customers suggestions as to how they could put their businesses on a firmer basis.

OPERATING EXPENSES FOR THE YEAR 1918

The following table summarizes the reports that have been received from 145 wholesale grocers on their 1918 operating expenses. All the reports used in this tabulation have been adjusted to the uniform accounting system for the trade. The charges to each of the individual items of expense are fully explained in that accounting system. Each percentage in the summary is a percentage of net sales.

OPERATING EXPENSES IN THE WHOLESALE GROCERY BUSINESS, 1918

Net Sales = 100%

	Lowest	Highest	Common
Total Salesforce Expense	0.41%	4.88%	2.2%
Advertising	0.001	2.33	0.04
Other Selling Expense	0.001	0.49	0.03
Total Selling Expense	0.48	7.59	2.4
Salaries and Wages of Receiving, Warehouse, and Shipping Force	0.29	2.88	1.1
Packing Cases and Wrappings	0.01	0.48	0.05
Outward Freight, Express, Parcel Postage, and Cartage	0.01	2.2	0.4
Total Receiving, Handling, and Shipping Expense	0.83	3.09	1.59
Executive Salaries (Including Buying)	0.24	2.66	0.9
Office Salaries	0.25	1.57	0.7
Postage and Office Supplies	0.03	0.38	0.2
Telephone and Telegraph	0.01	0.14	0.04
Credit and Collection Expense	0.001	0.37	0.04
Other Management and Buying Expense	0.01	0.72	0.1
Total General Management and Buying Expense	1.19	3.92	2.0
Total Interest	0.42	3.29	1.5
Rent	0.12	0.94	0.35
Heat, Light, and Power	0.02	0.4	0.06
Taxes (except on buildings)	0.01	0.43	0.2

OPERATING EXPENSES — *continued*

Net Sales = 100%

	Lowest	Highest	Common
Insurance (except on buildings)	0.01%	0.36%	0.15%
Repairs of Equipment	0.001	0.57	0.05
Depreciation of Equipment	0.01	1.39	0.14
Total Fixed Charges and Upkeep Expense	1.13	4.27	2.45
Miscellaneous Expense	0.02	0.5	0.2
Losses from Bad Debts	0.01	1.71	0.22
Total Expense	6.15	14.79	9.1

GROSS AND NET PROFIT

	Highest	Lowest	Common
Gross Profit	14.9%	6.08%	11.0%
Net Profit	*Profit* 4.74	*Loss* 0.92	*Profit* 1.75

As stated before, reports have been received from fifty-seven firms for three consecutive years — 1916, 1917, and 1918. Comparisons of salesforce expense, total expense, gross profit, net profit, and stock-turn have been made for these years. There was no marked change in any of these items between 1916 and 1917. The decreases in some businesses were counter-balanced by the increases in others, so that the net results in the whole group of businesses were approximately the same in both years.

The comparisons for the last two years indicated that salesforce expense was lower in percentage of net sales in thirty-six of these firms in 1918 than in 1917, and higher in twenty-one. In thirty of the businesses, total expense was lower in 1918, and higher in twenty-six. In one case, total expense was the same for 1918 as for 1917. It should be pointed out that, with rising prices, the actual amount of expense may have increased even in cases where the percentage of expense to sales has decreased. Wherever prices

have advanced more rapidly than the outgo for expense has increased, then the percentage of expense to sales has, of course, fallen off.

Gross profit was lower in percentage of net sales in all but three of these firms in 1918 than in 1917. Net profit was lower in fifty-three, and higher in four of the businesses in 1918. Stock-turn was lower in forty firms in 1918 than in 1917, and higher in seventeen.

For 1918 a special study has been made of two of the largest expense items — salesforce and interest.

Salesforce Expense

The largest single item of expense in 1918, as in previous years, was salesforce expense. The lowest figure for salesforce expense in 1918 was 0.41 % of net sales, and the highest was 4.88 %. The common figure, which is the one that is the most typical, was 2.2 % of net sales.

The firms that did a strictly local business showed a common figure for salesforce expense of 1.4 % of net sales. In businesses where the salesmen covered more than local territories, the common figure for salesforce expense was 2.4 % of net sales. This higher percentage of salesforce expense for businesses covering more than local territories was due, in part, to the heavier travelling expense incurred in selling in the wider territories. It was also probably due, in part, to the difficulty in securing as large an annual volume of sales per salesman in the more distant territories as in the local districts. Outside the local territories the customers were more scattered, and freight charges frequently made it harder for the salesmen to sell staple merchandise.

As a rule, salesforce expense varied inversely with the annual sales per salesman. Businesses with large annual sales per salesman had the lowest salesforce expense, and businesses with small annual sales per salesman showed a high percentage of expense for salesforce. The smallest

volume of sales per salesman was $54,000 per year in 1918, and the highest was $434,000. Salesforce expense for the first of these businesses was 3.4 % of net sales; for the second, it was 1.0 %.

The following table summarizes the sales per salesman and salesforce expense for those firms for which both of these items could be determined:

Annual sales per salesman	Number of firms	Salesforce expense (% of Net Sales)
Less than $80,000	12	3.3 %
$80,000–$119,000	29	2.7 %
$120,000–$159,000	23	2.1 %
$160,000–$199,000	11	2.1 %
$200,000 and over	16	1.4 %

The frequency with which salesmen call on customers has a direct relation to salesforce expense. Of all the wholesale grocers selling to local trade, 9 % called on their customers daily, 9 % three times a week, 16 % twice a week, 60 % once a week, and the remainder once in two weeks. Salesforce expense tended to be somewhat higher in the businesses where the salesmen called on the local trade more frequently than once a week.

Among the wholesale grocers selling to customers within 25–300 miles, 52 % called on these customers in the outside districts once a week, 42 % once in two weeks, and the remainder once a month. Salesforce expense tended to be somewhat higher in the businesses that covered the trade in the sectional territories oftener than once in two weeks or once a month.

Eleven wholesale grocery businesses reported that they covered territories more than 300 miles distant. Three firms covered their more remote territories every two weeks, five once a month, and three once in three months. The number of these firms was too small to permit of comparisons of

expense according to the frequency with which the customers in the outlying territories were visited.

It appears from the results of the inquiry that frequently a wholesale grocer might effect substantial economies in his operating expenses by developing a plan that would make it unnecessary for the salesmen to call on customers as frequently as at present.

Total Interest

Total interest includes interest on capital-borrowed, such as interest on notes and on accounts payable. It also includes interest on capital-owned; that is, on the net investment in the business, exclusive of real estate which is covered by rent. To quote from the uniform accounting system: "Ordinarily the net investment in a wholesale grocery business, on which interest is charged, is the difference between the sum of the assets — cash, merchandise on hand, equipment at depreciated value, notes and accounts receivable, and prepayments, such as prepaid insurance, but not including real estate — and the sum of the liabilities — notes and accounts payable, and accrued items." The same method of determining the net investment is used if the business is incorporated.

Total interest is ordinarily one of the largest items in the operating expenses of a wholesale grocery business. In 1918, total interest ranged from 0.42 % to 3.29 % of net sales. The common figure was 1.5 % of net sales.

The two largest items in the investment generally are the accounts receivable and the merchandise inventory. As is stated in a later section on stock-turn, interest expense is usually lower in businesses with a high rate of stock-turn. The smaller the stock of merchandise that a wholesaler carries for a given volume of sales, the lower is his investment, and, therefore, the smaller is his interest expense.

A comparison has been made between the accounts receivable and the sales. It is found that in 67 % of the bus-

inesses reporting, the accounts receivable at the end of the year were larger than the average monthly sales. In ten of these businesses the accounts receivable were more than one and one-half times the average monthly sales, and in three of them over twice the average monthly sales. On 33 % of the reports received, the accounts receivable were less than the average volume of sales for one month, and in these businesses the total interest charge was substantially less. The losses from bad debts, furthermore, were generally lower in the businesses with a low ratio of accounts receivable to average monthly sales.

STOCK–TURN

For the fifty-seven wholesale grocery businesses that furnished reports for the years 1916, 1917, and 1918, the average rate of stock-turn was 5.9 times a year in 1916 and 1917, and 5.2 times a year in 1918. For the 145 reports received in 1918, the common figure for stock-turn was also 5.2 times a year; the lowest figure was 2.48 times, and the highest 19.03 times.

This rate of stock-turn is determined by dividing the cost of the merchandise sold during the year by the average of the inventories at the beginning and end of the year. A more significant figure for stock-turn would, of course, be obtained if the average amount of stock on hand each month were used as the divisor. The Bureau has not been able to secure this information, however, up to the present time, and for making comparisons between businesses the figure that is used is approximately reliable. While the common figure for the rate of stock-turn in 1918 was 5.2 times a year, nevertheless 36.5 % of the wholesale grocers turned their stock more than 6 times a year, and 18 % more than 7 times a year. In the businesses where the rate of stock-turn was more than 6 times a year, the common figure for total expense was 8.5 % of net sales. In the businesses that turned their stock less

than 4.5 times a year, the common figure for total expense was 9.9 % of net sales. This difference in total expense is accounted for in a large measure by the difference in total interest. In businesses turning their stock more than 6 times a year, total interest was commonly 1.2 % of net sales. Where the stock-turn was less than 4.5 times a year, the common figure for total interest was 1.9 % of net sales.

The following form was used in collecting the information on methods of paying salesmen tabulated in this bulletin:

1. How many travelling salesmen do you employ ?.....

2. How many salesmen are employed in local territory (within 25-mile radius) ?.....in sectional territory (radius from 25 to 300 miles) ?.....In more remote territory ?.....Do you send salesmen to all parts of the United States ? .....

3. How frequently do salesmen call upon local customers ? .....On customers within 300-mile radius ?..... On customers in more remote territory ?.....

4. Do you pay your salesforce fixed salaries ?.....Salaries and commission ?.....Commission only ?..... On what is the commission based ?.....Do you pay them for actual expenses ?.....Do you allow a lump sum or a gross commission to cover both expenses and salary ?.....How is this lump sum determined ? .....Do you give them any other remuneration ? .....On what plan ? .....

5. Are salesmen given a bonus for securing a new account ? .....How much ? .....

6. What rate of commission is paid on flour ?..... %; sugar ?..... %; other lines ?..... %. Do you credit salesmen with orders received by mail or telephone from their territory ?.....Do you credit your salesmen with orders received through manufacturers' specialty salesmen ? .....

7. Do your salesmen make collections from customers ?.....

8. Do you inform your salesmen of cost prices ? .....

9. Do you permit salesmen to vary the prices at which they sell to different customers ?.....

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